

Property Tax Reduction

Property Tax Replacement

Owners of real property and certain tangible personal property located in Indiana are required to pay property taxes based on the assessed value of the property owned.

Prior to HEA 1001-2002ss, the State paid a Property Tax Replacement Credit to local units in an amount equal to 20% of its qualifying tax levy. In addition to the Property Tax Replacement Credit, the State also paid a Homestead Credit equal to 10% of the taxes owed on an individual's principal place of residence.

HEA 1001-2002ss modified the calculation of the State Property Tax Replacement Credit and increased the amount paid to local units. The Property Tax Replacement Credit is now payable on 20% of the unit's qualifying tax levy attributable to real property and non-business personal property and 60% of a school's general fund levy. The State Homestead Credit was also increased to 20% of the net taxes owed on an individual's principal place of residence.

Funds used for property tax replacement consist of revenues generated from the sales tax, individual income tax, and the riverboat wagering tax.

Personal Property Tax Replacement

Owners of real property and certain tangible personal property located in Indiana are required to pay property taxes based on the assessed value of the property owned.

Prior to HEA 1001-2002ss, the State paid a personal property tax credit equal to the net tax liability generated from the first \$12,500 of assessed value of a taxpayer's tangible personal property. HEA 1001-2002ss restructured Indiana's tax system and eliminated the personal property tax credit while increasing the State Property Tax Replacement Credit and the State Homestead Credit.

Welfare Property Tax Replacement

Prior to January 1, 2000, counties imposed property tax levies to fund welfare programs and services through the County Welfare Fund and the County Welfare Administration Fund. As of January 1, 2000, the State began to reimburse counties for expenditures related to the funding of welfare programs and services, because counties were prohibited from imposing property taxes to fund these items.

